

**PUBLIC DISCLOSURE**

**FEBRUARY 13, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BEVERLY CO-OPERATIVE BANK**

**CERT #26601**

**254 CABOT STREET  
BEVERLY, MASSACHUSETTS 01915**

**Division of Banks  
1000 Washington Street  
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
--------------	---

## TABLE OF CONTENTS

General Information .....	1
Institution's CRA Rating .....	1
Scope of Examination .....	3
Description of Institution .....	4
Description of Assessment Area .....	5
Conclusions with Respect to Performance Tests .....	9
Appendix A .....	A-1
Appendix B .....	B-1

## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Beverly Co-operative Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **February 13, 2012**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

### **Lending Test:**

The institution is rated "**Satisfactory**" under the Lending Test. This rating is supported by the following summary of results.

- The loan-to-deposit ("LTD") ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 14 quarters since the prior CRA evaluation dated September 16, 2008, was 102.5 percent.
- A majority of the Bank's home mortgage and small business loans, by number and dollar amount, were within its designated assessment area. During 2010 and 2011, 56.7 percent of the number of home mortgage loans, and 66.2 percent of the number of small business loans were granted inside the assessment area.
- The Bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Bank's concentration of home mortgage loans in the area's moderate-income geographies was greater than that of aggregate data in 2010. The Bank made a reasonable number and percentage of loans to small businesses within the area's moderate-income census tracts during the review period.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different sizes. The Bank was very similar to the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2010. The Bank responded to small business financing needs by making a reasonable number of loans to the assessment area's small businesses.
- Beverly Co-operative Bank did not receive any CRA-related complaints during the period reviewed.

## **Community Development Test**

The institution is rated “**Satisfactory**” under the Community Development Test.

The institution’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through qualified community development investments and services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area. This is the first evaluation for the Bank utilizing the Intermediate Small Bank Procedures. This rating is supported by the following factors:

- The Bank did not originate any qualified community development loans during the evaluation period. The Bank’s size and lending focus on HMDA reportable loans and small business loans limited its opportunities to make qualified community development loans.
- The level and complexity of the Bank’s qualified investments are adequate. The Bank’s investments during the time period reviewed consisted solely of charitable contributions to organizations and toward initiatives with a community development purpose.
- The Bank is adequately involved in various community development organizations and has participated in financial literacy initiatives and first time homebuyer seminars.

## SCOPE OF EXAMINATION

The Bank's total assets were \$300.2 million as of December 31, 2010 and \$297.6 million as of December 31, 2011, exceeding the January 1, 2012 total asset threshold of \$290.0 million of an Intermediate Small Institution ("ISI") under CRA. Therefore, this evaluation assesses Beverly Co-operative Bank's CRA performance utilizing the Interagency ISI Examination Procedures, as established by the Federal Financial Institutions Examination Council. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test is an analysis of the distribution of loans, and the Community Development Test is an evaluation of community development activities since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending activities. The Bank is primarily a residential lender. The Bank's most recent Report of Condition and Income ("Call Report") dated December 31, 2011 indicated that residential lending represented 61.5 percent and commercial lending represented 31.1 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Based on this information, the Bank's performance in home mortgage lending carried more weight in arriving at overall conclusions.

Data reviewed includes originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LARs") for full year 2010 and 2011. The LARs contain data about home purchase and home improvement loans, including refinancings, for one-to-four family and multifamily (five or more units) properties. The institution reported 145 loans totaling \$32.2 million in 2010, and 144 loans totaling \$40.2 million in 2011. The Bank's 2010 home mortgage lending performance was compared against 2010 aggregate lending data within the assessment area. Aggregate data includes all financial institutions subject to HMDA that originated at least one home mortgage loan in the Bank's assessment area. The evaluation focused on the Bank's lending performance in 2010, as aggregate data for 2011 was not yet publicly available.

Small business loans were also reviewed for the same time period. As an ISI, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect the data, but not to report it. The Bank's internal records indicated that the institution originated 50 small business loans totaling \$8.0 million in 2010, and 83 small business loans totaling \$16.9 million in 2011. As the Bank is not required to report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, business demographics of the assessment area were used as a means of measuring the Bank's performance.

The Bank has only a nominal level of small farm and consumer lending activity; thus, these product lines are not included in the evaluation.

Although the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Bank's lending performance by the number of loans originated or purchased during the review period.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services in which the Bank was involved from September 16, 2008 through February 13, 2012.

The Bank's previous CRA evaluation was conducted by the FDIC as of September 16, 2008, using Small Institution Examination Procedures. The evaluation resulted in an overall "Satisfactory" CRA rating.

Demographic information referenced in this evaluation was obtained from the 2000 United States ("US") Census unless otherwise noted. Financial data about the Bank was obtained from the December 31, 2011 Call Report.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Beverly Co-operative Bank is a Massachusetts state-chartered, mutually owned co-operative bank established in January 1888 and headquartered in Beverly, Massachusetts. The Bank is a wholly-owned subsidiary of the mutual holding company Beverly Financial, MHC. In addition to the main office located at 254 Cabot Street in Beverly, Massachusetts, the Bank operates three other full-service banking locations. Two branches are located in Beverly and one is located in Salem, Massachusetts. There are also two limited access branch office locations in Beverly. All Beverly offices are located in middle-income census tracts. The branch office in Salem is located in a moderate-income census tract. Two branch offices have drive-up facilities (Enon and Salem Street in Beverly). Bank hours are convenient at all full service branch offices. Extended hours are available on Thursday and Friday evenings, as well as Saturday morning.

All office locations are equipped with Automated Teller Machines ("ATMs"). The Bank offers online banking accessed through the Bank's main website ([www.beverlycoop.com](http://www.beverlycoop.com)). Customers can review their account statements, transfer funds, and sign up for online bill pay. Telephone banking is also offered to customers as well as mobile banking to those having internet-enabled mobile phones. The Bank has not opened or closed any branch offices since the prior CRA evaluation.

The Bank is a full-service financial institution that offers a wide variety of products and services. Retail customers can choose from an array of deposit product offerings including checking and savings accounts. Investment products and services are available through Raymond James Investments. The Bank also offers an assortment of credit services that include secured and unsecured consumer loan products such as home equity lines of credit, home improvement loans, new and used automobile loans, personal loans, and overdraft protection lines of credit.

Beverly Co-operative Bank offers a wide variety of home financing programs such as fixed and adjustable rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. In addition, the Bank offers programs for first time homebuyers. Commercial customers can also choose from an array of savings, checking, and investment account services. The Bank offers a full line of commercial credit products.

The Bank had total assets of \$297.6 million as of December 31, 2011. Assets increased approximately \$23.1 million (8.4 percent) since June 30, 2008, the Call Report date used for the previous evaluation. As of December 31, 2011, total loans net of unearned income and allowance were \$222.3 million and represented 74.7 percent of total assets. Net loans decreased by \$6.6 million (2.9 percent) since June 30, 2008.

Table 1 illustrates the distribution of the Bank's loan portfolio as of December 31, 2011.

<b>Table 1 – Loan Portfolio Distribution as of December 31, 2011</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	12,780	5.7
Farmland	757	0.3
Revolving Open-end 1-4 Family Residential	10,498	4.6
Closed-end 1-4 Family Residential First Lien	98,727	43.8
Closed-end 1-4 Family Residential Junior Lien	2,014	0.9
Multi-Family (5 or more) Residential	27,482	12.2
Commercial Real Estate	56,484	25.1
<b>Total Real Estate Loans</b>	<b>208,742</b>	<b>92.6</b>
Commercial and Industrial	15,964	7.1
Other Consumer Revolving Loans	146	0.1
Closed-end Consumer Loans	576	0.2
<b>Total Loans</b>	<b>225,428</b>	<b>100.0</b>

*Source: December 31, 2011 Call Report*

As depicted in Table 1, the Bank's loans are primarily concentrated in residential real estate and commercial real estate. No financial or legal impediments exist that would limit or impede the Bank's ability to meet the credit needs of its community or delineated assessment area.

### **Description of Assessment Area**

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

### **Geographies**

The Bank's assessment area encompasses the Cities of Beverly and Salem. Both cities are located within Essex County and the Peabody, Massachusetts ("MA") Metropolitan Division ("MD") #37764.

The analysis for the Geographic Distribution section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains 16 census tracts. There are no low-income tracts; 3 moderate-income tracts; 12 middle-income tracts; and 1 upper-income tract. There are 2 moderate-income tracts in Salem and 1 in Beverly.

According to 2000 US Census data, the population of the assessment area is 80,269. Of the total assessment area population, 16.8 percent reside in moderate-income census tracts, 73.3 percent in middle-income census tracts, and 9.9 percent in upper-income census tracts.

### **Median Family Income Levels**

The analysis under the Borrower Characteristics section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 US Census for the Peabody, MA MD that was annually adjusted by the Department of Housing and Urban Development for inflation and other economic events. The estimated 2010 and 2011 MFI figures were \$83,900 and \$86,200, respectively, for the Peabody, MA MD.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 shows this distribution based on 2000 US Census data.

<b>Table 2 – Number and Percentage of Families by Income Level</b>		
<b>Income Category</b>	<b>2000 Census</b>	
	<b># of Families</b>	<b>% of Total Families</b>
<b>Low-Income</b>	3,812	19.4
<b>Moderate-Income</b>	3,907	19.8
<b>Middle-Income</b>	4,715	24.0
<b>Upper-Income</b>	7,245	36.8
<b>Total</b>	<b>19,679</b>	<b>100.0</b>

*Source: 2000 US Census Data*

Table 2 reveals that upper-income families represent the largest portion of total families. The percentages of families that fall into low- and moderate-income categories are very similar, with low-income representing the smallest portion of assessment area families.

### **Housing Characteristics**

Table 3 illustrates various housing-related statistics by census tract income level for the Bank's assessment area.

<b>Table 3 – Selected Housing Characteristics by Income Category of the Geography</b>							
<b>Geography Income Level</b>	<b>Percentage</b>						<b>Median Home Value</b>
	<b>Census Tracts</b>	<b>Families</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	
<b>Moderate</b>	18.7	15.4	17.4	10.0	25.6	23.2	\$175,407
<b>Middle</b>	75.0	75.0	74.7	78.7	70.5	70.1	\$203,407
<b>Upper</b>	6.3	9.6	7.9	11.3	3.9	6.7	\$312,400
<b>Total / Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$216,531</b>

*Source: 2000 US Census*

Among other statistics, Table 3 describes the distribution of owner-occupied housing units by census tract income level. Although 17.4 percent of all housing units are located in moderate-income geographies, only 10.0 percent of owner-occupied housing units in the assessment area are located in moderate-income tracts. Rental units in moderate-income tracts represent 25.6



percent of all assessment area rental units. The relatively low percentage of owner-occupied housing units in moderate-income tracts limited the Bank's opportunity to make home mortgage loans in these areas.

The median housing value in the assessment area was \$216,531 as of the 2000 US Census. However, more recent housing data obtained from *The Warren Group* reflects higher home values during the review period. Table 4 illustrates median home prices for both assessment area cities and Essex County.

Table 4 – Median Home Sales Prices		
City/County	2010	2011
Beverly	\$305,000	\$300,000
Salem	\$251,000	\$242,000
Essex County	\$269,000	\$268,000

Source: *The Warren Group*

As shown in Table 4, median home prices declined in both cities from 2010 to 2011. Home prices in Essex County were stable during the review period. Median home prices in the assessment area were comparable to prices throughout Essex County, as Beverly had a higher median sales price while Salem had a lower median sales price compared to county data. This information suggests that opportunities to make home mortgage loans to low- and moderate-income borrowers existed in the assessment area during the review period.

#### ***Unemployment Data***

Information on unemployment rates within the assessment area was obtained from the Massachusetts Executive Office of Labor and Workforce Development. The 2010 annual unemployment rates were 7.6 percent in Beverly and 8.3 percent in Salem. While annual unemployment rates were not yet available for 2011, monthly data indicates that unemployment rates decreased in each city. Furthermore, the unemployment rates within the assessment area were slightly lower than the unemployment rates for all of Massachusetts and Essex County.

#### ***Business Demographic Data***

According to *Dun & Bradstreet* data, there were 6,013 non-farm businesses in the assessment area in 2010. Of total non-farm businesses, 30.3 percent were in moderate-income tracts; 62.4 percent were in middle-income tracts; and 7.3 were in upper-income tracts. In terms of revenues, 76.0 percent of businesses had gross annual revenues of \$1.0 million or less, 5.5 percent had revenues greater than \$1.0 million, and 18.5 percent did not report gross annual revenue information.

#### ***Competition***

Beverly Co-operative Bank operates in a competitive lending environment. The Bank faces competition from large national and regional banks, mortgage companies, community banks, and credit unions. Residential lending market share reports for 2010 indicate a total of 216 lenders reported 4,438 originations or purchases totaling approximately \$1.1 billion in the assessment area. The top ten home mortgage loan originators consisted of large mortgage companies and national or regional banks. These institutions accounted for 52.5 percent of the market share for the total assessment area.

Competitors operating within the Bank's assessment area include Bank of America, N.A., JPMorgan Chase Bank, N.A., and GMAC Mortgage LLC. Bank management referenced East Boston Savings Bank, Institution for Savings, and Salem Five Cents Savings Bank as its primary competition.

## **Community Contacts**

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The community contact was conducted with a local community development corporation. The organization provides a number of different services including homelessness prevention, education and training, economic stabilization, and home care.

The contact indicated the need for financial literacy training. The community is in need of volunteers who would be willing to utilize their financial expertise to shape financial literacy programs in ways that fit their clients' needs. The contact also discussed funding needs, stating that funding is unquestionably the biggest challenge for the organization. There is some participation from local banks, but the organization would like to see financial institutions increase their involvement in providing funding and financial literacy training.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "Satisfactory." This rating indicates that Beverly Co-operative Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area

#### Loan-to-Deposit Analysis

Beverly Co-operative Bank's LTD ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 14 quarters since the prior CRA evaluation was 102.5 percent. The Bank's net LTD ratio as of December 31, 2011 was 90.4 percent.

Growth patterns of loans and deposits were also analyzed to assess the fluctuation in the net LTD ratio. Net loans were generally stable during the review period, with a slight decline since early 2010. Overall, net loans decreased by 6.1 percent beginning with the September 30, 2008 Call Report. Total deposits generally increased during the previous 14 quarters, resulting in growth of 20.3 percent. As a result of deposit growth and a slight decline in loans, the net LTD ratio decreased during the review period from 115.8 percent to 90.4 percent.

The net LTD ratio was affected by the Bank's practice of selling residential real estate loans on the secondary market. According to Bank records, Beverly Co-operative Bank sold 74 loans totaling \$15.5 million in 2010 and 78 loans totaling \$15.2 million in 2011 to the secondary market. These figures represented the majority of residential loan originations in each year. The Bank's declining LTD ratio is mitigated by its secondary market activities.

The Bank's net LTD ratio was compared to the LTD ratios of three other locally-based, similarly situated depository institutions as of December 31, 2011. The institutions selected are all headquartered in Essex County, have assets between \$200 million and \$350 million, and are primarily residential lenders. Beverly Co-operative Bank's average quarterly net LTD ratio was higher than the ratios of the other two institutions during the review period. Table 5 presents this comparison.

Table 5 – Net Loan-To-Deposit Comparison		
Institution	Asset Size of as of December 31, 2011 \$(‘000s)	Average Net LTD Ratio 9/30/08 – 12/31/11
<b>Beverly Co-operative Bank</b>	<b>297,634</b>	102.5%
Northmark Bank	305,634	91.6%
Saugusbank, a Co-operative Bank	207,841	70.2%

*Source: December 31, 2011 Call Reports*

## Comparison of Credit Extended Inside and Outside of the Assessment Area

Overall, the majority of the Bank's residential and small business loans by number and dollar amount were inside the designated assessment area. The analysis includes both residential lending and small business lending. As stated previously, more weight was placed on residential lending performance based on the composition of the Bank's loan portfolio and the volume of loans generated within each product line.

### Residential Lending

Beverly Co-operative Bank originated a majority of home mortgage loans inside its assessment area in 2010 and 2011. Table 6 portrays the Bank's record of extending home mortgage loans inside and outside the assessment area during the review period.

Table 6 – Distribution of Residential Loans Inside and Outside the Assessment Area										
Year and Loan Purpose	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2010										
Purchase	26	45.6	31	54.4	57	6,854	53.8	5,877	46.2	12,731
Home Improvement	12	54.6	10	45.4	22	2,112	54.3	1,781	45.7	3,893
Refinance	37	56.1	29	43.9	66	8,516	54.8	7,039	45.2	15,555
<b>Subtotal</b>	<b>75</b>	<b>51.7</b>	<b>70</b>	<b>48.3</b>	<b>145</b>	<b>17,482</b>	<b>54.3</b>	<b>14,697</b>	<b>45.7</b>	<b>32,179</b>
2011										
Purchase	26	59.1	18	40.9	44	8,195	48.8	8,583	51.2	16,778
Home Improvement	15	57.7	11	42.3	26	4,087	71.0	1,672	29.0	5,759
Refinance	48	64.9	26	35.1	74	10,523	59.7	7,106	40.3	17,629
<b>Subtotal</b>	<b>89</b>	<b>61.8</b>	<b>55</b>	<b>38.2</b>	<b>144</b>	<b>22,805</b>	<b>56.8</b>	<b>17,361</b>	<b>43.2</b>	<b>40,166</b>
<b>Total – HMDA</b>	<b>164</b>	<b>56.7</b>	<b>125</b>	<b>43.3</b>	<b>289</b>	<b>40,287</b>	<b>55.7</b>	<b>32,058</b>	<b>44.3</b>	<b>72,345</b>

Source: 2010 and 2011 HMDA LARs

As shown in Table 6, the Bank made 56.7 percent of total loans by number and 55.7 percent by dollar amount inside the assessment area. The concentration of loans inside the assessment area increased notably from 2010 to 2011. The Bank increased this percentage from 51.7 percent to 61.8 percent. The Bank also increased the number of home mortgage loans it originated in the assessment area in 2011. The increasing trend reflects positively on the Bank's performance under this criterion.

Additional analysis of home mortgage loans inside the assessment by loan purpose was also performed. Refinance loans represented the largest portion of loans within the assessment area in each year. While the Bank increased the number of refinance loans from 2010 to 2011, home purchase and home improvement loans remained steady. The Bank made a majority of home improvement and refinance loans inside the assessment area in both 2010 and 2011. A majority of the Bank's home purchase loans were made outside the assessment area in 2010. However, the Bank made a majority of home purchase loans in the assessment area in 2011. The percentage of loans in the assessment area increased for each loan purpose in 2011.

Beverly Co-operative Bank ranked 16<sup>th</sup> out of 216 HMDA-reporting lenders in the assessment area in 2010, capturing approximately 1.7 percent of the market share. The vast majority of institutions ranked higher than the Bank were mortgage companies or large national or regional banks. The Bank's market share was higher for home purchase loans and home improvement loans in the assessment area. The Bank captured approximately 2.3 percent of the home purchase market and 11.2 percent of the home improvement market. The competition level was highest for refinance loans in the assessment area, as the Bank captured approximately 1.2 percent of the market share among 182 institutions.

### Small Business Lending

The Bank made a majority of small business loans by number and dollar amount inside the assessment area during the review period. Table 7 shows the Bank's record of extending small business loans inside and outside the assessment area.

Table 7 – Distribution of Small Business Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
2010	34	68.0	16	32.0	50	6,358	79.6	1,634	20.4	7,992
2011	54	65.1	29	34.9	83	8,620	51.1	8,263	48.9	16,883
<b>Total</b>	<b>88</b>	<b>66.2</b>	<b>45</b>	<b>33.8</b>	<b>133</b>	<b>14,978</b>	<b>60.2</b>	<b>9,897</b>	<b>39.8</b>	<b>24,875</b>

Source: Bank Records – Small Business Data (2010, 2011)

As shown in the Table 7, the Bank made 88, or 66.2 percent, of total small business loans inside the assessment area during 2010 and 2011. Despite a slight decline by percentage in 2011, the Bank increased the volume of loans originated inside the assessment area in 2011. By dollar amount, approximately \$15.0 million, or 60.2 percent, were within the assessment area during 2010 and 2011. The percentage by dollar amount declined significantly during the review period reflecting the changing circumstances of the economic conditions, but the majority of loans by dollar amount were within the assessment area during both years. Greater emphasis was placed on the Bank's performance based on number of originations.

### Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Greater emphasis was placed on the Bank's level of lending in the assessment area's moderate-income census tracts. The assessment area does not contain any low-income census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

### Home Mortgage Lending

The distribution of the Bank's home mortgage lending reflects reasonable dispersion throughout the assessment area. Table 8 presents the Bank's home mortgage lending performance by number of loans in 2010 and 2011, as well as the 2010 aggregate market data. Table 8 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 8 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		Bank 2011	
			#	%	#	%
Moderate	10.0	11.4	11	14.7	11	12.4
Middle	78.7	75.3	53	70.6	67	75.2
Upper	11.3	13.3	11	14.7	11	12.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>

Source: 2010 and 2011 HMDA Data, 2000 US Census Data

In 2010, the Bank's lending within the moderate-income tracts at 14.7 percent was greater than aggregate lending at 11.4 percent. The Bank's performance declined slightly by percentage in 2011, with 12.4 percent of loans within the moderate-income census tracts. The number of loans in moderate-income tracts was consistent for both years. Beverly Co-operative Bank's performance within moderate-income geographies in both years was greater than the percentage of total owner-occupied housing units (10.0 percent).

The evaluation also considered the number of tracts in the assessment area in which the Bank made loans. The Bank originated a loan in 14 of the 16 census tracts in 2010, including all 3 moderate-income tracts. The Bank originated a loan in all 16 tracts in 2011. While institutions are not expected to lend in every census tract, the Bank's record shows its willingness to lend throughout its assessment area.

A review of the distribution of home mortgage loans by dollar amount did not reveal any additional information that would affect conclusions. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, because the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

While not shown in Table 8, the distribution of the Bank's residential loans was also analyzed by loan purpose. In 2010, the Bank made six home purchase, one home improvement, and four refinance loans in the moderate-income census tracts. In 2011, the Bank made two home purchase, three home improvement, and six refinance loans in these geographies. The Bank was effective in making loans for each purpose in the moderate-income tracts.

Market data for 2010 indicates the Bank captured 2.2 percent of the market share for all home mortgage loans reported in the assessment area's moderate-income tracts. The institution ranked 14<sup>th</sup> out of 92 total lenders. This information further highlights the Bank's reasonable performance.

### Small Business Lending

The geographic distribution of the Bank's small business loans reflects reasonable distribution throughout the assessment area.

Table 9 illustrates the Bank's small business lending activity in 2010 and 2011 by census tract income level, as well as the breakdown of businesses for comparison purposes.

<b>Table 9 – Distribution of Small Business Loans by Census Tract Income Level</b>					
<b>Census Tract Income Level</b>	<b>% of Businesses</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	30.3	8	23.5	24	44.4
<b>Middle</b>	62.4	25	73.5	26	48.2
<b>Upper</b>	7.3	1	3.0	4	7.4
<b>Total</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>

Source: Bank Records – Small Business Data (2010, 2011); D&B 2010 Business Data

In 2010, the Bank's lending within moderate-income geographies by number (23.5 percent) was less than the percentage of businesses in moderate-income geographies (30.3 percent). However, the Bank improved its performance 2011, with 44.4 percent of small business loans made within moderate-income geographies. Small business lending increased overall from 2010 to 2011. This information supports the Bank's reasonable performance.

## **Borrower Characteristics**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area. The overall conclusion is based on the reasonable distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's reasonable performance in lending to businesses with gross annual revenues under \$1 million. The following sections discuss the Bank's performance under this criterion with regard to each product line.

### **Home Mortgage Lending**

The Bank's performance of home mortgage lending by borrower income level is reasonable. Borrower incomes for loans reported in 2010 and 2011 were compared to the MFI for the Peabody, MA MD. Table 10 shows the Bank's loans by borrower income level in 2010 and 2011. Table 10 also includes the distribution of families by income level and the aggregate market data for 2010 for comparison purposes.

<b>Table 10 – Distribution of Home Mortgage Loans by Borrower Income</b>						
<b>Family Income Level</b>	<b>% Total Families</b>	<b>2010 Aggregate Lending Data (% of #)</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
		<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	19.4	4.0	3	4.0	3	3.4
<b>Moderate</b>	19.8	17.6	13	17.3	17	19.1
<b>Middle</b>	24.0	25.2	17	22.7	14	15.7
<b>Upper</b>	36.8	36.9	26	34.7	37	41.6
<b>NA</b>	0.0	16.3	16	21.3	18	20.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>

*Source: 2000 US Census, 2010 and 2011 HMDA LAR, 2010 HMDA Aggregate Data*

The Bank originated 4.0 percent and 3.4 percent of all assessment area loans to low-income borrowers in 2010 and 2011, respectively. The Bank's performance in 2010 was identical to the aggregate's performance. Although the Bank's percentage of loans to low-income borrowers was less than the 19.4 percent of families that were low-income, it is not expected that a lender would compare to the distribution as a significant portion of these families would likely not qualify for a home mortgage loan: 26.5 percent of the area's low-income families were below the poverty level according to the 2000 US Census.

The Bank originated 17.3 percent and 19.1 percent of its loans to moderate-income borrowers in 2010 and 2011, respectively. The Bank's percentage in 2010 was very similar to the aggregate's 17.6 percent. The Bank's lending to moderate-income borrowers in 2010 and 2011 was also similar to the percentage of moderate-income families (19.8 percent) in the assessment area. The Bank's performance is reasonable based on comparisons to aggregate data and demographic data.

The Bank's residential loans were also analyzed by purpose and borrower income. In 2010, one purchase loan and two refinance loans were made to low-income borrowers. The Bank made four home-purchase, three home improvement, and six refinance loans to moderate-income borrowers. In 2011, all loans to low-income borrowers were refinance loans. The Bank made five home purchase and 12 refinance loans to moderate-income borrowers. A review by loan purpose did not reveal any patterns that would yield different conclusions under this performance factor.

The 2010 market rank reports indicated that the Bank ranked 18<sup>th</sup> out of 50 lenders in loans to low-income borrowers in the assessment area, with a market share of 1.7 percent. Beverly Co-operative Bank's market share among loans to low-income borrowers was the same as its overall market share in 2010. Additionally, the Bank ranked 17<sup>th</sup> out of 118 institutions in lending to moderate-income borrowers, with a market share of 1.7 percent. Market share data reflects reasonable performance by the institution.

### Small Business Lending

The distribution of the Bank's small business loans by gross annual revenues and loan size is reasonable. Table 11 illustrates the number of the Bank's small business loans in the assessment area by level of gross annual revenues ("GARs"). Table 11 also shows the percentage of total businesses in the assessment area by level of GARs for comparison purposes.

<b>Table 11 – Distribution of Small Business Loans by Gross Annual Revenues of Business</b>					
<b>GAR \$(000s)</b>	<b>% of Total Businesses</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1,000	76.0	19	55.9	32	59.3
> \$1,000 or N/A	24.0	15	44.1	22	40.7
<b>Total</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>

Source: Bank Records – Small Business Data (2010, 2011); D&B 2010 Business Data

In 2010, the Bank extended 19, or 55.9 percent, of its small business loans inside the assessment area to businesses with GARs of \$1 million or less. This performance is less than the percentage of total businesses within the assessment area with GARs of \$1 million or less (76.0 percent). The Bank's performance improved by percentage and volume in 2011, with 32, or 59.3 percent, of its small business loans made to businesses with GARs of \$1 million or less. Although the Bank's performance was less than the percentage of total businesses in the assessment area with GARs of \$1 million or less, the Bank made a majority of small business loans in each year to small businesses. Additionally, the Bank's improving trend in 2011 also justifies its performance as reasonable.

The loans to businesses with GARs of \$1 million or less within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. This analysis is based on the supposition that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have a high percentage of loans made in amounts of less than \$100,000. Table 12 illustrates the Bank's small business loans by loan amount.

<b>Table 12 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Amount (000s)</b>	<b>Bank 2010</b>		<b>Bank 2011</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< \$100	10	52.6	18	56.2
≥\$100 < \$250	3	15.8	11	34.4
≥\$250 ≤ \$1,000	6	31.6	3	9.4
<b>Total</b>	<b>19</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>

Source: Bank Records – Small Business Data (2010, 2011)

As Table 12 indicates, 52.6 percent and 56.2 percent of the Bank's loans to small businesses in the assessment area in 2010 and 2011, respectively, were for amounts less than \$100,000. These percentages demonstrate the Bank was committed to meeting the credit needs of small businesses in the assessment area. The Bank's record of extending small loans to businesses



reflects reasonable performance in meeting the credit needs of small businesses in the Bank's assessment area.

### **Response to CRA Complaints**

The Bank received no CRA-related complaints during the evaluation period. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the Bank's community development loans, investments, and services. Unless otherwise noted, for purposes of this evaluation the period used for the Community Development Test is September 16, 2008 through February 13, 2012. The Bank's performance is provided an overall "Satisfactory" rating under this test.

The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. Performance under this criterion typically includes providing community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. The Bank focused its community development efforts on providing community development services and grants to qualified organizations based on its assessment of needs and opportunities within its assessment area.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose; (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan); and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area

The Bank did not make any qualified community development loans during the evaluation period. Bank management indicated it made several efforts to participate with other institutions in making qualified community development loans during the review period. The Bank's size limited its ability to pursue these opportunities without the assistance of other institutions. In each scenario, a larger institution chose to fund the project without the participation of other institutions. Additionally, the Bank identified individual home financing as the greatest community development need during the review period.

Despite the lack of qualified community development loans, the Bank's primary focus has been originating HMDA reportable residential loans and small business loans, including loans guaranteed by the U.S. Small Business Administration ("SBA"). The Bank participated in a variety of innovative and flexible loans aimed at meeting the credit needs of low- and moderate-income homebuyers. The Bank originated 17 loans through *MassHousing* with community development purposes that were previously recorded on the HMDA LAR.

The Bank was also awarded "Preferred Lender Program" status by the SBA. Through this designation, the SBA allows Beverly Co-operative Bank to approve and close SBA loans through an expedited process, allowing business customers to receive funds more quickly.

According to the SBA, preferred lenders are nominated based on their historical record and demonstrated proficiency in processing and servicing SBA-guaranteed loans. The Bank currently has 23 loans with an aggregate outstanding balance of \$2.3 million.

### **Community Development Investments**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The Bank made a reasonable level of qualified investments through contributions and donations toward community-based initiatives.

### **Qualified Equity Investments**

The Bank did not make any qualified equity investments during the evaluation period.

### **Qualified Charitable Donations**

The Bank extended \$98,198 in qualified contributions to various organizations during the review period. These organizations provide education, training, affordable housing, youth programs, and health and human services for individuals in need.

Qualified contributions were further broken down by year. The Bank donated \$8,310 in 2008 (September 16 to December 31); \$35,757 in 2009; \$26,312 in 2010; and \$27,820 in 2011. A closer review of 2009, 2010 and 2011 grant activity revealed that the Bank's qualified donations represented approximately 1.0 percent, 0.9 percent and 1.0 percent of the Bank's pre-tax net operating income, respectively. These percentages indicate an adequate level of support for the community.

The following list details some of the organizations that have benefited from the Bank's contributions.

The North Shore Community Development Coalition – The North Shore Community Development Coalition is dedicated to building homes and strengthening communities throughout the North Shore region of Massachusetts. The Coalition strives to provide quality affordable housing and encourage economic and community development on the North Shore, and is also committed to exceptional neighborhood revitalization, advocacy, and special programming. The most recent affordable housing initiative by this organization was the neighborhood revitalization project in the Gloucester Crossing section of Beverly.

YMCA of the North Shore (Greater Beverly) – In addition to the health and wellness programs and youth opportunities provided by the Greater Beverly YMCA, the organization is actively involved in operating low-income housing initiatives. They offer single room housing for 45 individuals in the City of Beverly. Also, there are affordable housing programs available, consisting of studio apartments and two or three bedroom units, for families and individuals in the City of Beverly.

North Shore United Way ("NSUW") – The NSUW serves the City of Beverly and eight surrounding communities. The NSUW focuses on youth and child development, health and nutrition, community service projects, and financial stability. The NSUW's Financial Stability Goal is to increase the percentage of low income individuals and families who are financially stable. The organization seeks to increase the quantity of affordable housing while ensuring that individuals and families at risk have access to services to prevent homelessness and maintain housing.

North Shore Community Action Program ("NSCAP") – The NSCAP serves the communities of Beverly, Salem, Peabody, and Danvers. NSCAP provides fuel assistance, job training and education programs, and a variety of other services that help those with economic troubles get back on their feet.

Beverly Bootstraps – Beverly Bootstraps provides critical resources each year to approximately 2,100 households in need in the Beverly and Manchester area. The organization's emergency and long-term assistance includes: access to food, housing stability through homelessness prevention, adult and youth education, counseling and advocacy.

St. Joseph's Food Pantry – St. Joseph's Food Pantry provides food and emergency food assistance in the North Shore area to those living in the communities of Beverly, Danvers, Marblehead, Peabody, Salem and Topsfield. Aside from food assistance, St. Joseph's offers programs to all ages that promote growth and self-confidence and they are committed to serving the community with grace, dignity and non-discrimination.

Lifebridge – Lifebridge serves Salem and its surrounding communities. The organization is dedicated to reducing the crisis of homelessness by providing housing with supportive services, encouraging personal and financial development, and also promoting stability in physical and mental health. These services are primarily targeted to low- and moderate-income individuals.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Bank's community development services are described below.

### **Involvement in Community Organizations**

Beverly Main Streets Program – The Beverly Main Streets Program exists to promote and enhance Beverly's downtown economic vitality, cultural and historic resources and quality of life. Currently, the program is working to recruit new businesses to the downtown area, support current businesses, and provided repair and maintenance improvements to the area. The Bank's CEO serves as a board member and treasurer for this organization.

River House, Inc. – Located in Beverly, River House, Inc. is a year-round emergency homeless shelter for single men. The staff works to help guests find jobs, permanent housing, and medical care. A Vice President of the Bank serves as the Treasurer for this organization. Another Vice President of the Bank has coordinated fundraising activities for this organization.

Beverly Bootstraps – As previously mentioned, this organization seeks to embrace, educate, and empower its clients by providing critical resources each year to approximately 2,100 households in need. Their emergency and long-term assistance includes: access to food, housing stability, adult and youth education, counseling and advocacy. A former Senior Vice President at the Bank was the Director and Treasurer of this organization during the review period. Additionally, the Bank is also a food donation drop-off point for the organization's food pantry.

Salem Partnership – The goal of this partnership is to revitalize economic development in Salem. Among the primary areas considered to be integral components to meeting its goal is downtown revitalization with an emphasis on housing and neighborhood development. The Bank's CEO is an Executive Committee member and Treasurer of this organization.

North Shore United Way – As previously mentioned, this organization's mission is to unite local people and organizations to get things done and impact real, lasting change on the North Shore. One of its major goals is to increase the percentage of low-income individuals and families who are financially stable. The Bank's President is on the Board of Directors of this organization.

Family Promise North Shore – A non-profit organization that provides temporary shelter, meals, hospitality and case management services for families experiencing homelessness. The organization serves the North Shore communities including Beverly. The President is on the Board of Directors of this organization.

Boys and Girls Club of Greater Salem – The Boys and Girls Club of Greater Salem provides youth with the opportunities and programs they need to succeed. Club programs and services promote and enhance the development of boys and girls by instilling a sense of competence, usefulness, belonging and influence. This organization especially focuses on young people from disadvantaged and low-income circumstances. The Bank's President served as a board member and treasurer for this organization during the review period.

North Shore Alliance for Economic Development – The North Shore Alliance provides economic development services to businesses, including start-ups, in order to promote business growth within the North Shore Region. The organization's efforts include providing support and services to start-up businesses and other businesses looking to relocate or expand into the North Shore. The CEO is a member of the Board of Director's for this organization.

Creative Economy Association of the North Shore – This organization provides economic development services to businesses to creative economy businesses. The organization defines these businesses as those in industries that have their origin in individual creativity, skill and talent, and which have a potential for wealth and job creation through the generation of ideas, products, and services. The organization specifically provides educational and support programs to local creative economy businesses and also works to attract and encourage funding in these companies.

Chambers of Commerce – The Bank's CEO, President, and executive employees serve on the Chambers of Commerce for Salem, Beverly, Peabody, and the North Shore. These organizations were established to promote local business and economic development.

## **Educational Seminars and Other Services**

Savings Makes "Cents" Program – Saving Makes "Cents" is a program for elementary school children, which focuses on the ABC's of money management. The Bank works with the Hannah School in Beverly to teach children basic monetary concepts, including how to open a savings account, the origin of money and basic budgeting skills. The Bank provided this financial literacy program twice during each school year throughout the review period.

First Time Home Buyer Programs – The Bank conducted first time homebuyer seminars throughout the examination period in the month of April, as well as in June 2011. During the seminars, staff from the Bank provided guidance and training on the application process and were available to answer any questions.

Retail Banking Services – As previously mentioned, the Bank currently operates four full service branch locations. Office hours and services at all locations are convenient. All full service branches offer Saturday hours and a 24 hour walk up or drive-thru ATMs. The Salem branch is located in a moderate-income geography, demonstrating the availability of the Bank's retail banking services to low- and moderate income individuals. The Bank also offers internet and telephone banking.

Beverly Co-operative Bank also participates in the Massachusetts Community Banking Council's Basic Banking for Massachusetts program. The Bank offers a savings account that meets the guidelines under this program. This account serves to encourage those with modest incomes to establish banking relationships.

**APPENDIX A**  
**DIVISION OF BANKS**  
**Fair Lending Policies and Practices**

Beverly Co-operative Bank has a satisfactory record of implementing fair lending policies and practices. The following comments are based on the guidelines of the Division's Regulatory Bulletin 2.3-101.

The Bank's compliance with fair lending laws and regulations was examined. The Bank has a written Lending Policy. Included in this Policy are the Bank's efforts to eliminate discrimination in all aspects of lending, including product development, the application process, advertising, underwriting, and training. The Bank has a second review process to ensure that denied applications are not the result of discriminatory practices. Fair Lending Audits are performed on a yearly basis by an outside audit company. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet community and assessment area credit needs were identified during the evaluation.

The Bank did not receive any complaints relative to fair lending issues; however, adequate procedures are in place for handling such items. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

**Minority Application Flow**

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA LAR for 2010 and year-to-date 2011. In addition, the 2010 HMDA LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic population of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area, and the 2010 aggregate data for all other HMDA reporters within the assessment area. According to 2000 Census Data, the Bank's assessment area contained a total population of 80,269 individuals, 11.5 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment area's minority population is as follows: 6.6 percent Hispanic, 1.7 percent Black, 1.7 percent Asian, 0.2 percent American Indian/ Alaska Native and 1.4 percent "other race".

The Bank received one application from a minority applicant in 2010 representing .9 percent of total applications while the aggregate received 3.3 percent of applications from racial minorities and 2.2 percent of applications from applicants of Hispanic ethnicity. The percentage of applications the Bank received from minority individuals was below the minority composition of the assessment area for both years. However, from 2010 to 2011, the Bank increased its percentage of racial minority applications from 0.9 to 2.9 percent. Regarding ethnic minorities, the Bank did not receive any applications from ethnic minorities. In 2011, there was one application received from an applicant of Hispanic ethnicity, representing .8 percent.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.



**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 254 Cabot Street, Beverly, MA 01915."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.